

HOUSE BILL REPORT

ESHB 3051

As Passed House:
February 15, 2008

Title: An act relating to sales and use tax on transportation projects.

Brief Description: Concerning sales and use tax on transportation projects.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Seaquist, Lantz, Clibborn, Hunter, Lias, Rolfes and Green).

Brief History:

Committee Activity:

Finance: 2/1/08, 2/12/08 [DPS].

Floor Activity:

Passed House: 2/15/08, 94-0.

Brief Summary of Engrossed Substitute Bill

- Requires state sales and use tax revenue on the construction of certain transportation projects to be transferred back to the projects to reduce their cost.
- Requires repaid state sales and use taxes for the Tacoma Narrows Bridge project to be deposited in the Tacoma Narrows Toll Bridge Account.
- Allows a transportation benefit district in a county with a population over 400,000 and bordering another state to impose sales and use tax for more than 10 years.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire, Roach and Santos.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member.

Staff: Jeff Mitchell (786-7139).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services, including state construction projects. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

After five years in design and construction, the new Tacoma Narrows Bridge opened to traffic on July 16, 2007. It was built parallel to, and south of, the 1950 Narrows Bridge, and carries four 11-foot-wide lanes of eastbound traffic toward Tacoma. The left lane is a high occupancy vehicle (HOV) lane, the two center lanes are general purpose lanes open to all traffic, and the right lane is an "add/drop" lane that extends across the bridge to the Jackson Avenue eastbound exit.

The Tacoma Narrows Bridge toll project currently has a sales and use tax deferral for all state and local sales and use taxes. The taxes are deferred for five years from the date tolling commenced, which occurred on July 16, 2007. In 2012, repayment of all state and local deferred taxes will begin. Taxes are payable in 10 annual installments.

A city, town, or county may establish a transportation benefit district for the purpose of acquiring, constructing, and funding a transportation improvement within the district. Transportation improvement is specifically defined to mean a project contained in the transportation plan of the state or a regional transportation planning organization. With voter approval, a district may impose a sales and use tax, a one year excess property tax levy, tolls, and other fees to fund the transportation improvement. The sales and use tax may not be imposed for more than 10 years; however, the tax may be extended for up to 10 more years if approved by the voters.

Summary of Engrossed Substitute Bill:

State sales and use taxes repaid on the Tacoma Narrows Bridge project are deposited in the Tacoma Narrows Toll Bridge Account.

When 50 percent or more of the cost of a transportation project, or more than \$1 billion, will be paid or recovered through tolls, state sales and use taxes on the initial construction of the project must be transferred to the tolling account of the project. These revenue transfers must be used to reduce the overall cost of the project.

When 50 percent or more of the cost of the transportation project, or more than \$1 billion, will be provided through taxes, fees, charges or tolls levied by a transportation benefit district, state

sales and use taxes on the initial construction of the project must be transferred to the district. These revenue transfers must be used to reduce the overall cost of the project.

State sales and use taxes on the initial construction of a highway of statewide significance constructed by a transportation benefit district must be transferred to the highway project. These revenue transfers must be used to reduce the overall cost of the project. The transfer of taxes is required only when the highway is located in a county with a population greater than 400,000 and the county borders another state.

A revenue transfer to a tolling account or transportation benefit district will not lower the state expenditure limit.

A transportation benefit district in a county with a population over 400,000 and bordering another state may impose the sales and use tax for more than 10 years to fund the construction of a highway of statewide significance.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill addresses the tax inequity in toll projects. When tolls include sales tax, toll-payers are not just paying for the cost of the transportation project, but are also contributing to the state's General Fund.

(Opposed) None.

Persons Testifying: Representative Seaquist, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.